

**MINUTES  
BOARD OF TRUSTEES OF THE  
PUBLIC EMPLOYEES' RETIREMENT FUND  
143 West Market Street, Suite 500  
Indianapolis, IN 46204  
April 16, 2004**

**EXECUTIVE SESSION**

Trustees Present

Jonathan Birge, Chair  
Richard Doermer, Vice Chair  
Garland Ferrell  
Robert Welch

Others Present

Craig Hartzler, PERF Executive Director  
Bruce Kimery, PERF Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, PERF General Counsel

The Board met in Executive Session to discuss matters under IC 5-14-1.5-6.1(b)(7) and IC 5-14-1.5-6.1(b)(5).

**REGULAR SESSION**

Trustees Present

Jonathan Birge, Chair  
Richard Doermer, Vice Chair  
Garland Ferrell  
Robert Welch

Others Present

Craig Hartzler, PERF Executive Director  
Bruce Kimery, PERF Deputy Executive Director/Chief Benefits Officer  
Leisa Julian, PERF General Counsel  
Michael Horstman, PERF Chief Financial Officer  
Patrick Henn, PERF Staff Internal Auditor  
Will Frayer, PERF Staff Attorney  
Cindy Osborne, PERF Minute Writer  
Elaine Beaty, McCready & Keene  
Mary Beth Braitman, Ice Miller  
Stephanie Braming, Mercer  
Douglas Todd, McCready & Keene

## **ITEMS MAILED TO THE BOARD PRIOR TO MEETING**

- A. Board Update
- B. Board Book

### **I. APPROVAL OF MINUTES**

**MOTION** duly made and carried to approve the Minutes of the March 19, 2004 Board of Trustees Meeting.

*Proposed by: Robert Welch*  
*Seconded by: Garland Ferrell*  
*Votes: Four in favor, 0 against, 0 abstentions.*

### **II. OLD BUSINESS**

- A. Contribution Rate. Mr. Hartzer recommended that we delay consideration of the contribution rate until the May Board meeting or at a special Board meeting held prior to the May Board meeting. The Board concurred in that recommendation.

### **III. NEW BUSINESS**

- A. 70 ½ Minimum Distribution. Mr. Hartzer noted that in December we hired Crowe Chizek to perform data clean up to help PERF get current with the IRS and make all minimum distributions required to meet their requirements. Mr. Hartzer noted that we are in substantial compliance with the 70 ½ minimum distribution rules. Mr. Hartzer noted that there are still 285 out of 1,025 members that we can't find. We have sent these members letters and certified mail. Mr. Hartzer noted that we will now send the IRS a letter and ask them to assist us with locating these members.

Mr. Hartzer noted that Crowe Chizek looked at all accounts that had \$500 or more in them. Mr. Hartzer noted that we wanted to make sure that all info on these accounts was accurate prior to sending out the money. Mr. Hartzer noted that as a result of the work done by Crowe Chizek and by our staff, there were 274 total balance adjustments totaling \$459,471.45.

Mr. Hartzer noted that the Crowe Chizek team has already started working on scrubbing the data for the next group. Mr. Hartzer noted that there are 255 members in the next group of members in the age 70 ½ category. Mr. Kimery noted that there are

approximately 140 members with over \$500 in their accounts. Mr. Hartzer noted that our goal is for Crowe Chizek to train PERF staff so that PERF will be able to routinely do the minimum distributions on this category of members.

- B. Ten Year Interest. Mr. Hartzer noted that a big piece of the adjustments came from the 10 years of interest issue. Mr. Hartzer noted that PERF needs to review the 10 years of interest segment to find out why we had to do the adjustments in this category. Mr. Hartzer noted that PERF will update the Board once PERF does more research.
- C. Overtime/Compensatory Time Policy. Mr. Hartzer noted that the Policies and Procedures team worked on the overtime/comp time policy, as they had on the previously adopted policies, but had more work to do before bringing this particular policy to the Board for consideration. Mr. Hartzer noted that this is a very important issue. Mr. Hartzer noted that PERF will be paying overtime and offering compensatory time to non-exempt and exempt staff. Mr. Hartzer noted, however, that exempt staff will not qualify for premium overtime or premium compensatory time (time and a half).

Mr. Hartzer explained that although PERF will no longer pay premium overtime to exempt staff, this policy is more generous than what the Fair Labor Standards Act (FLSA) requires. Mr. Hartzer indicated that the FLSA does not require that we offer overtime and compensatory time to exempt staff. Mr. Hartzer noted that he feels it is important to offer this benefit to retain our good workers and to be able to attract good workers in the future.

**MOTION** duly made and carried to approve the revised overtime/compensatory time policy as recommended by staff.

*Proposed by: Garland Ferrell*

*Seconded by: Richard Doermer*

*Votes: Four in favor, 0 against, 0 abstentions.*

- D. Mediation. Mr. Hartzer noted that PERF reached a settlement with Covansys through two days of mediation. Mr. Hartzer noted he feels we negotiated a good settlement and that he has signed it. Mr. Hartzer is recommending that the Board ratify this action. Mr. Hartzer noted that the TRF Board ratified this action at their last Board meeting.

**MOTION** duly made and carried for ratification of the Settlement Agreement and Mutual Release entered into on March 30, 2004

between PERF, the Indiana State Teachers' Retirement Fund and Covansys Corporation.

*Proposed by: Garland Ferrell*

*Seconded by: Robert Welch*

*Votes: Three in favor, 0 against, 1 abstention (Jonathan Birge).*

E. Committee Reports.

1. Investment Committee.

- Mr. Doermer noted that all trustees present at Board meeting were also present at the Committee meeting.
- Mr. Doermer noted the Committee discussed alternative investments and resolved that PERF was not ready to do anything in Hedge Funds pending further education and understanding. Mr. Doermer noted that PERF would defer any change in our current mix of alternative investments.
- Mr. Doermer noted that PERF authorized SIS to continue their due diligence effort with Merit Mezzanine Fund as an alternative investment for PERF.
- Mr. Doermer noted that the Committee authorized the staff to proceed to develop a possible legislators defined contribution plan investment option program that would be different – either a change in the mix that we now have or an addition to the options that are available to the legislators. Mr. Doermer noted that this should occur in May.
- Mr. Doermer noted that the Committee recommended that PERF utilize an RFP for the selection of a large cap value manager to replace Merrill Lynch.

**MOTION** duly made and carried to authorize the staff to issue an RFP for the selection of a large cap value manager.

*Proposed by: Richard Doermer*

*Seconded by: Robert Welch*

*Votes: Four in favor, 0 against, 0 abstentions.*

IV. REPORT OF EXECUTIVE DIRECTOR

A. Operations Update.

- Mr. Hartzer noted that he sent an update to the Board members prior to the Board meeting.

- Mr. Hartzler noted that there was a story in the Indianapolis Business Journal last week regarding the Indiana Future Fund. Mr. Hartzler noted that the Indiana Future Fund has made four investments. Mr. Hartzler explained that PERF is a major investor in the Indiana Future Fund. Mr. Hartzler further explained that out of the four investments two are partnerships – one is a collaboration between Rose-Hulman and Michigan’s EDF Ventures. Mr. Hartzler noted that this is a life science early stage fund. Mr. Hartzler noted that the other partnership is with Bernard and Associates in Indianapolis and California’s Coastview Capital. Mr. Hartzler noted that this is a venture capital firm that has a lot of experience in investing in start up companies and life sciences. Mr. Hartzler noted that this partnership was a great partnership to generate deals here in Indiana. Mr. Hartzler noted that the final two are not partnerships – A.M. Pappas & Associates out of the research triangle in North Carolina and Steve Burrill of Burrill and Company out of California. Mr. Hartzler noted that the reason this was in the IBJ was because some groups that didn’t receive money have been displeased about it. Mr. Hartzler noted that one of these companies was a local company, Twilight Ventures. Mr. Hartzler reminded the Board that the reason Indiana Future Fund is in this is for rate of return – to make money for their members.
- Mr. Hartzler noted that PERF will be asking for additional resources and people as we build the budget for next year.

B. Financial Report.

- Mr. Kimery noted that our headcount is 99, which is eight positions under budget. Mr. Kimery noted that numerous positions are in various stages of the hiring process.
- Mr. Kimery noted that the investment fees was a target figure and that PERF will be coming back to the Board with an update on how that target needs to be adjusted before the end of the year. Mr. Ferrell noted that he understands that there is no way to know the exact amount to budget.

V. **ADJOURNMENT**

There being no further business, the meeting was adjourned.